Shareholder Actions to Address Climate Risk to Banks Exposed to High-emitting Sectors

Investor Brief FY23:
NYSE: BAC, C, GS, JPM, MS, RY, TD, WFC

Climate Votes

These **8** banks alone financed **$1.8 trillion** to the fossil fuel industry during the six years following the Paris Agreement (2016-2021).

JPMorgan Chase, Citibank, Wells Fargo, Morgan Stanley, Bank of America, Goldman Sachs, TD, Royal Bank of Canada

Document Summary

This document highlights the banking sector's high exposure to climate-related risks and identifies actionable opportunities that investors can take this AGM season to encourage mitigation of these risks in their holdings. The analysis focuses on eight North American financial institutions: two major Canadian banks (Toronto Dominion, Royal Bank of Canada) and six U.S. banks (JPMorgan Chase, Citibank, Wells Fargo, Morgan Stanley, Bank of America, and Goldman Sachs) — each of which faces unique and serious climate risks due in part to their outsized exposure to fossil fuels. These banks alone financed $1.8 trillion to the fossil fuel industry during the six years following the Paris Agreement (2016-2021). Each of the banks profiled is a member of the Net Zero Banking Alliance (NZBA), which commits them to aligning their portfolios with net zero emissions by 2050. Since these banks joined NZBA in 2021, they have financed over $100 billion to coal, oil, and gas developers alone.

None of these banks has taken adequate steps to reduce their climate-related risks. By failing to take adequate measures to bring their financed emissions in line with evidence-based emissions reduction pathways, banks expose their core business to:

- **Systemic climate risk** – A disorderly energy transition threatens financial losses across balance sheets due to the acute and chronic risks associated with climate change.
- **Credit and liquidity risk** – Fossil fuel assets are at increasing risk of becoming stranded, decreasing issuers' creditworthiness and ability to repay debts.
- **Reputational risk** – Banks are increasingly linked with controversial fossil fuel projects and are being targeted by advocacy campaigns and public criticism. A growing gap between banks' stated commitments and their tangible climate actions also draws public scrutiny.
- **Litigation risk** – Record high levels of climate-related legal action are already putting banks at risk of litigation. Banks are being sued for climate inaction, with more suits likely to come.
- **Regulatory risk** – Regulators' eyes have increasingly turned towards banks, with European and U.S. regulators developing climate scenario testing that could open banks up to scrutiny and regulatory costs.

Investors can encourage banks to lower their exposure to climate risk this shareholder season by taking the following proxy voting actions:

- Phaseout of new fossil fuel exploration and development financing: calls on banks to phase out underwriting and lending to projects and companies engaging in new fossil fuel exploration and development that is misaligned with 1.5˚C pathways.
- Transition planning: calls on banks to disclose a transition plan with interim steps, metrics, and timelines to reduce financed emissions in line with the Paris Agreement.
- Absolute emission targets: call on banks to set goals to reduce absolute emissions for energy sector clients and, in some cases, utility sector clients as well.
- Vote against directors responsible for climate oversight: investors are encouraged to vote against the reelection of directors responsible for climate oversight at banks that have failed to align goals, lending, underwriting, capital expenditures, and strategic planning with the goals of the Paris Agreement projects.

Investors that are serious about mitigating banks' climate risk exposure should support all four of these shareholder votes in order to alleviate the risk posed to these issuers and the systemic risks posed to the financial sector from continued misalignment with the goals of the Paris Agreement.

In addition, investors will also have the opportunity to support a series of Free, Prior, and Informed Consent (FPIC) resolutions that have been filed at these banks. The resolutions encourage banks to adopt policies to more comprehensively respect Indigenous rights and to have actionable plans that require issuers to respect the Free, Prior, and Informed Consent of Indigenous and local communities. Addressing climate justice is a key component of working toward a just transition. As such, support for these resolutions is warranted.

Part 1

The Resolutions and their Implications for Shareholders

Background

In 2022 alone, natural disasters caused $313 billion in economic losses. Climate-related impacts on the real economy could reduce global economic output between 11 and 14 percent by 2050. Climate change will deplete stocks of social, environmental, institutional, and economic capital through extreme events such as tropical cyclones and increased risk of civil conflict. The monetary burden of climate change will be borne by investors in the form of high deductibles for insurance, higher food and energy costs, and low returns on investment portfolios.

As the impacts of climate change are increasingly felt, global institutions are strengthening their efforts to mitigate these effects. Yet despite efforts toward climate action, private banks are currently lagging behind action that is necessary to shield themselves and their investors from climate-related risks.

Consensus among mainstream climate models now shows that the continued development of new fossil fuel reserves is incompatible with a pathway to 1.5˚C. This represents a shift in financing activities for the eight banks profiled in this briefing, which together financed $1.8 trillion to the fossil fuel industry during the six years following the Paris Agreement..

Banks that continue to inject capital into fossil fuel development are exposing themselves and their investors to material risks associated both with the systemic impact of climate change and the transition to a low carbon economy.

However, investors can help banks change course. By voting for the following resolutions, investors can steer their issuers to alignment with critical climate targets and thus ensure the banks are taking prudent action to avoid climate risks.

Bank	Financing to Fossil Fuel Companies 2016-2021 ($MM USD)
Bank of America	$ 232,011
Citi	$ 285,370
Goldman Sachs	$ 118,976
JPMorgan Chase	$ 382,403
Morgan Stanley	$ 137,287
RBC	$ 201,229
TD	$ 140,883
Wells Fargo	$ 271,819
Grand Total	**$1,769,979**

The Resolutions

Phase-out Policy for Fossil Fuel Expansion

RESOLVED:

Shareholders request that the Board of Directors adopt a policy for a time-bound phase-out of [the bank's] lending and underwriting to projects and companies engaging in new fossil fuel exploration and development.

*please note that "RESOLVED" clause text can vary slightly in the resolution filed at each bank

FILED AT:
Bank of America, Citibank, Goldman Sachs, JPMorgan Chase, Royal Bank of Canada, Wells Fargo

This resolution addresses the urgent need for banks to stop financing new fossil fuel infrastructure projects and the companies undertaking them. The resolution calls for a time-bound phaseout of lending and underwriting of fossil fuels, rather than an immediate cessation. The provisions in the resolution are specifically written to facilitate transition financing.

Consensus among mainstream energy models concludes that having a 50% chance of achieving the goals of Paris Agreement-aligned emissions reductions means that no new oil, gas, or coal projects can be developed beyond those already approved as of 2021. New fossil fuel reserves are not necessary to meet global energy needs and will not be developed quickly enough to meet immediate global energy needs brought about by the Ukraine conflict.

Banks cannot plan to continue financing new fossil fuel exploration and development and claim to be committed to a credible pathway to limiting warming to 1.5˚C. Proponents argue that adopting specific policies to align a bank's portfolio with science-based pathways is the best way that banks can limit exposure to a range of climate risks.

Peer precedent: Large commercial banks have already begun to adopt these commitments. France's **La Banque Postale**, the 43rd largest bank by assets globally, became the first major bank to commit to a full phase out of coal, oil, and gas by 2030. Preliminary research suggests that the bank has virtually stopped syndicated underwriting and lending to oil, coal, and gas companies. Likewise, Denmark's **Danske Bank**, the 59th largest bank by assets globally, has followed suit, stating, "In line with the IEA's Net Zero Emissions by 2050 Scenario, we will not offer new long-term financing or refinancing to E&P companies that intend to expand supply of oil and gas beyond what was approved for development by 31 December 2021."

2030 Transition Plans

RESOLVED:

Shareholders request that [the bank] issue a report disclosing a transition plan that describes how it intends to align its financing activities with its 2030 sectoral greenhouse gas emissions reduction targets, including the specific measures and policies to be implemented, the reductions to be achieved by such measures and policies, and timelines for implementation and associated emission reductions.

*please note that "RESOLVED" clause text can vary slightly in the resolution filed at each bank

FILED AT:
Bank of America, Goldman Sachs, JPMorgan Chase, Morgan Stanley, Toronto Dominion, Wells Fargo

Transition plans are a necessary tool for issuers to describe to investors the milestones, metrics, and timelines the bank intends to take in pursuit of its climate goals. Despite this well-established best-practice, none of the profiled banks have published transition plans that indicate how they intend to achieve their climate targets, leaving investors without adequate information to assess whether banks are effectively mitigating climate risk and maximizing climate opportunities.

An effective transition plan would create bank accountability by describing to investors the milestones, metrics, and timelines needed to decarbonize its financial activities and reduce its exposure to climate risk. Such a plan would also indicate affirmative strategies regarding how a bank intends to avoid risks associated with its high-carbon financing activities. Several groups, including the United Nations Environment Programme, the Transition Pathways Initiative, and the Science-Based Targets Initiative have issued detailed guidance on what such a plan would look like.

Absolute Emissions Targets

RESOLVED:

Shareholders request [the bank] issue a report within a year, at reasonable expense and excluding confidential information, that discloses 2030 absolute greenhouse gas emissions reduction targets for [the bank]'s energy sector lending and underwriting, aligned with the Paris Agreement's goal to limit warming to 1.5˚C. These targets should be in addition to any emission intensity targets for the energy sector that the company has or will set, and be aligned with a science-based net zero pathway.

*please nnote that "RESOLVED" clause text can vary slightly in the resolutions filed at each bank. Some resolutions filed additionally call for absolute targets in the power sector.

FILED AT:

Bank of America, Goldman Sachs, JPMorgan Chase, Royal Bank of Canada

This resolution calls on banks to adopt more comprehensive climate pledges that better align the bank's goals with 1.5˚C pathways and ensures the banks are on track to meaningfully reduce their financed emissions.

The banks where resolutions have been filed only have intensity targets for energy sector clients. Intensity targets only measure the emissions reductions per unit or dollar; emissions intensity can decrease while overall emissions increase. Intensity-only targets can increase risks associated with greenwashing and open banks to regulatory and litigation risk.

In contrast, absolute emissions reduction targets ensure that both financed emissions and real-world emissions decrease in the energy sector. Given this, only **targets that include absolute emissions <u>will translate to credible necessary steps</u> taken to align with the Paris Agreement**. Banks can adopt both intensity-based and absolute targets to ensure maximum credibility.

Peer precedent: Citibank, Wells Fargo, Bank of Montreal, Danske Bank, and HSBC have committed to absolute emission reduction targets in their oil and gas financing activities.

Director Votes

In cases where directors fail to transform business practices in line with 1.5°C pathways, votes against board directors are warranted. Banks that have failed to adopt policies necessary to align lending and underwriting with 1.5°C scenarios have directors who are ill-equipped to lead companies along necessary decarbonization pathways. At such companies, investors are encouraged to vote against directors responsible for climate oversight.

FILED AT:
Bank of America, Citibank, Goldman Sachs, JPMorgan Chase, Morgan Stanley, Wells Fargo

Investors have the opportunity to vote on director reelections. Investors are encouraged to vote against the reelection of directors responsible for climate oversight at institutions that have failed to align targets and lending and underwriting policies with credible 1.5˚C emissions reduction pathways.

Directors are responsible for oversight of strategic planning, including management of climate risk. As climate risk grows both as an economy-wide systemic risk and as a sector-specific risk for banks, board directors are failing in their fiduciary duties when companies under their oversight fail to adopt and execute comprehensive climate risk management policies.

The presentation of climate risk to the banking sector is not novel. Where banks have failed to adopt and disclose climate policies that align with 1.5˚C pathways, it indicates that directors responsible for such oversight are either unwilling or unable to successfully lead the company through a decarbonization transition. Investors are encouraged to vote against such directors.

Free, Prior, and Informed Consent Resolutions

Investors are encouraged to review and support resolutions such calling for banks to take action to mitigate adverse human rights impacts by operationalizing the principle of Free, Prior, and Informed Consent (FPIC), a key provision of the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP). Issues surrounding lack of respect for FPIC often emerge when a fossil fuel project (such as the Dakota Access Pipeline, Coastal Gaslink Pipeline, or Line 3 Pipeline) creates high-profile public conflict. FPIC violation-related risks are prevalent for banks that finance buildout of fossil fuel infrastructure, which leads to operational, legal, financial, compliance and reputational risks for banks.

Such a resolution has been filed at Royal Bank of Canada and Citibank.

Climate Risk Implications for Banks and their Shareholders

Climate risk to banks and their clients manifests in two layers. Firstly, climate change poses a **systemic risk** to the economy, which resonates across banks' balance sheets and their shareholders' portfolios. Secondly, the transition from a carbon-intensive economy to a decarbonized one poses a series of **transition risks** to banks that resist making adequate preparations. In this way, exposure to the fossil fuel industry is a double material risk to financial institutions.

Systemic Risk

Climate change poses a substantial risk to the financial system. The U.S. Commodity Futures Trading Commission and global central banks acknowledge that climate change poses a major risk to the financial system. The US Federal Reserve has publicly defended that climate change both poses micro- and macroprudential concerns and increases financial stability risks.

The systemic nature of climate risk poses threats to all sectors of the economy, jeopardizing returns throughout entire portfolios. Systemic risks can destabilize capital markets and can negatively ripple throughout the economy. Direct impacts from climate change threaten physical assets, agricultural yields, labor productivity, supply chains, among other bedrocks of a stable financial system, multiplying risks across the whole of banks' financing activities. The frequency, death toll, and economic costs of acute natural disasters are steadily rising. Chronic changes in the earth's climate, such as rising sea levels, temperature changes, and shifting precipitation patterns also threaten the real economy.

Trillions are expected to be lost from economic output without adequate climate risk measures. It is estimated that climate change could reduce global economic output between 11 and 14 percent by 2050. In 2022 alone, natural disasters caused $313 billion in economic losses.

Continued fossil fuel production accelerates both climate impacts and climate-related financial risk. There is consensus among all major, credible climate models that developing new fossil fuel assets (oil and gas fields and coal mines) is incompatible with limiting warming to 1.5°C. Accordingly, the fossil fuel industry is at heightened risk of exposure to transition and physical risks, making them volatile assets, at best, and stranded assets, at worst.

Bank financing enables development of new fossil fuel assets. The continued development of new fossil fuel assets and projects is enabled heavily by funding from the financial institutions highlighted in this profile. Collectively, the world's top 60 largest banks by assets have provided over $1.3 trillion to the top 100 leading fossil fuel expanders since the Paris Agreement was signed.

Banks' failure to align their strategy with the goals of the Paris Agreement are accelerating systemic climate risk. In order to take steps to mitigate exposure to systemic climate risk and to align financing with the goals of the Paris Agreement, banks must adopt targets and specific climate policies that mitigate the expansion of activities that are the largest drivers of systemic risk. In supporting the aforementioned votes, investors have the opportunity to mitigate drivers of systemic climate risk.

Transition Risk

Transition risk is the business-related risk posed by changing strategies, policies, innovations, or investments as society transitions to a low-carbon economy. The range of risks include a rapidly changing policy landscape, regulatory enforcement, and changing social license for industries accelerating the climate crisis, which may result in reputational damage or litigation.

Regulatory Risk

The Principles for Responsible Investment forecasts acceleration of policy responses to climate change. "[A]s governments will be forced to act more decisively than they have thus far…financial portfolios [will be] exposed to significant transition risk." Indeed, we are already seeing the adoption of new regulatory frameworks for banks and high-emitting sectors. Accordingly, prudent investors should encourage portfolio companies to take steps to mitigate exposure to existing and escalating climate risk.

Banks without comprehensive climate risk mitigation strategies will likely bear greater costs of regulatory compliance. Christian Scarafia, head of Northern European Banks at Fitch Ratings said this year European banks will "spend a lot of time, money and effort really making sure that they meet regulators' expectations." Prudent financial institutions will work to adopt robust strategies to mitigate climate risk exposure in order to get ahead of regulatory scrutiny.

Global Central Banks have recently adopted a range of regulations on climate risk oversight. In just the last year, the following policy has been regulated:

- In January 2023 the U.S. Federal Reserve announced a pilot scenario analysis for the big six U.S. banks to examine banks' exposure to climate risk and their climate-risk management practices. This move opens banks up to potential risk of further regulatory costs, reputational damage, and even litigation should lawmakers find that the banks are not meeting their own climate targets.

- Central banks in Europe and Asia have begun conducting stress tests to measure banks' exposure to climate risk. The 2022 ECB stress test found that banks are not yet adequately managing climate risk. This finding opens a window of insight into how results from similar tests might fare in the U.S. and Canada, risking exposing banks' inaction climate.

- The European Central Bank (ECB) increased capital requirements at several banks in November 2022 because it found weaknesses in their climate risk management practices. Analysts expect adjacent regulation to increase in 2023, imposing greater costs on banks.

Increased reporting requirements will require banks to more comprehensively disclose financed emissions and exposure to climate risk.

- In March 2022, the U.S. Securities and Exchange Commission (SEC) proposed rules to standardize the corporate disclosure of climate risk, including those relating to Scope 3 (end use) emissions. The SEC said this move would "provide investors with decision-useful information to assess a registrant's exposure to, and management of, climate-related risks, and in particular transition risks." This moves the U.S. a step closer to Europe's approach to climate risk for its banks.

- In Canada, all federally regulated banks will be required to report climate-related risks beginning in 2024.

- 85% of Americans support corporate disclosure of a company's impact on society, and 87% of Americans support mandatory disclosure for climate risk, according to a 2022 survey by Ceres, JUST Capital, and Public Citizen.

Litigation Risk

Climate inaction exposes banks to risk of litigation by consumers, shareholders, and governments. When a fiduciary acknowledges a risk, it is their legal obligation to take action to mitigate that risk. Yet the eight profiled banks are not in line with credible emissions reductions pathways.

Governments are already beginning to enforce regulatory action, accusing banks of greenwashing climate efforts and sustainably-marketed products.

- In October 2022, the Canadian Competition Bureau, a federal law enforcement agency, opened an investigation into RBC over potentially misleading climate claims. The inquiry calls into question the bank's claims of supporting the Paris Agreement, given that the bank continues to finance fossil fuels.
- In May 2022, German authorities raided Deutsche Bank headquarters and DWS Asset Management on the grounds that it was misleading investors about its green investment vehicles.
- A supervisor in the European Central Bank said in November 2022 that "if banks do not meet the targets they have announced or follow the climate strategy they have communicated, they expose themselves to litigation and reputational risks." Adding, "the threat of legal cases following greenwashing must be taken seriously, and banks should take care to ensure that the information on their sustainable products is correct."

Banks are increasingly exposed to risk of litigation activity as private sector actors bring forward lawsuits over similar concerns.

- In October 2022, French groups filed a lawsuit against BNP Paribas on the grounds that its financing of new oil and gas infrastructure put it at odds with the Paris Agreement.

As public interest in responsible climate-risk management grows, it is likely that such government enforcement cases and private-sector accountability measures will increase, as financial institutions continue to breach their fiduciary duties for deficient management of climate risk.

> "[A]s governments will be forced to act more decisively than they have thus far... financial portfolios [will be] exposed to significant transition risk."
>
> - UN Principles for Responsible Investment

Credit and Liquidity Risk

Top banks do not have adequate liquid reserves to shield them from climate risk associated with fossil fuel assets. As of 2022, the top 60 banks by assets were estimated to have $1.35 trillion of credit exposure to fossil fuel assets. Finance Watch warns that potential losses associated with fossil fuel assets are not adequately covered by the banks' existing capital. It would, at a minimum, take an additional $157 billion to $210 billion to shield banks from these risks, according to the group. In other words, research suggests that banks are either not accurately valuing their risk exposure to fossil assets or not taking adequate measures to account for growing climate transition risks.

Governments are beginning to increase banks' capital requirements to account for inadequate management of climate-related risk. In March 2022, the European Central Bank announced that it would evaluate banks' climate and environmental risk management processes in determining a bank's capital requirements. Of the initial banks surveyed, 96% had "blind spots" in climate risk management protocols, with 60% having "major gaps." In consequence, the European Central Bank increased capital requirements on several banks already, giving the others until 2024 before penalties are issued.

Banks are exposed to increased risk of stranded assets, increased volatility, and declining creditworthiness by continuing to finance high-emitting energy sector clients. Despite a temporary uptick in oil industry profits—a swing driven by Russia's invasion of Ukraine—trends for fossil fuels are clear: the industry is in long term decline.

Up to $30.6 trillion USD in stranded asset losses. As the world increasingly aligns with net-zero pathways, fossil fuel assets will increasingly become stranded assets.

- All credible models for limiting warming to 1.5°C conclude that there can be no development of new oil, gas, or coal reserves.
- A 2021 study concluded that 90% of coal and nearly 60% of oil and natural gas reserves must be left untapped in order to maintain a 50% chance of meeting the goals of the Paris Agreement.
- The global net value of stranded assets by 2050 is predicted to be as high as $30.6 trillion with half of fossil fuel assets being stranded by 2036 under net zero transition (amounting to an estimated $11-14 trillion USD in losses).
- Beyond transition risks, fossil fuel reserves are threatened by physical climate risk, as well, with 40% of recoverable fossil fuel assets are in areas at high or extreme risk of climate-driven damage.

Fossil fuel prices are volatile and generally in decline, with recent upswings due only to humanitarian crisis. For years, energy price volatility has been driven by fossil fuels. In addition to the societal consequences of a highly-priced, volatile good (e.g. rising fuel prices has been linked to higher rates of average inflation and higher home energy costs), the uncertain nature of fossil fuel pricing reduces planning horizons, causes postponement in investments, and expensive reallocation of resources for businesses across the value chain and countries alike.

With regard to the record profits of fossil fuel companies last year, they are due to an "unsustainable military intervention," according to the Director of Financial Analysis for the Institute for Energy Economics and Financial Analysis (IEEFA), "Market fundamentals for oil and gas are weak because disarray within the industry and competition threatens the industry's growth plans. For investors seeking a steady, stable investment, fossil fuels are unreliable. Today and going forward, fossil fuel companies offer volatility, spurious innovations and political calamity."

> "An insufficiently orderly transition to a green economy may translate into significant losses for the banking sector on exposures related to high-emission firms and to exposures vulnerable to climate hazards."
> – European Systemic Risk Board

Reputational Risk

As several of the profiled banks draw strength from being among the world's top valued brands, reputational damage can have material financial implications for these banks.

Banks are at increasing risk of reputational damage from continued financing of energy sector clients misaligned with the goals of the Paris Agreement. Community resistance and public pressure groups are increasingly drawing connections between the banking industry and controversial projects. As such, the public is increasingly aware of the role that banks play in facilitating the construction of controversial fossil fuel projects. While public sentiment has turned against fossil fuel companies because of their role as drivers of climate destruction and acute human rights violations, banks are increasingly finding themselves in the line of fire for their involvement in such activities.

Profiled banks are risking reputational damage as a growing number of civil society actors scrutinize banks for continued affiliation with fossil fuel clients. As detailed further in company profiles, over 200 civil society organizations have been running campaigns to hold banks accountable for fossil fuel financing. Civil society groups have been targeting the banks' involvement with fossil fuel expansion through protests, online actions, online ads, petitions, and public letters, all of which have served to undermine the public's confidence in these financial institutions. News articles excoriating banks for their involvement in controversial projects that either exacerbate the climate crisis or violate Indigenous rights have been featured in high-profile and financial media outlets, including *The Financial Times*, *the Washington Post*, *The New York Times*, *Bloomberg*, *Business Insider*, and *Forbes* to name a few.

The risk of reputational damage has become enough of a high-profile risk that banks are beginning to itemize it as a list in their 10Ks. JPMorgan Chase, for example, cited how reputational damage from growing campaigning efforts over environment and social matters could result in increased government scrutiny, cessation of business relations with JPMorgan Chase by clients, limited ability to hire and retain employees, among others. Morgan Stanley's 2023 10k cited risk of reputational damage and loss of client relationships as a result of the company's climate change practices, involvement in certain industries, or initiatives slowing solutions to climate change.

Greenwashing Risk and Misalignment with Public Commitments

Government regulators are beginning to crack down on banks for greenwashing. The public is becoming increasingly aware of the widening gap between banks' climate commitments and their actual action. This "greenwashing risk" has already begun to expose banks to further legal, regulatory, and reputational risk. UK regulators have banned HSBC advertisements for misleading the public regarding the company's efforts to tackle climate change. Duetsche Bank was raided during an investigation into investment fraud over greenwashing concerns. Goldman Sachs was charged a $4 million penalty and Bank of NY Mellon a $1.5 million penalty by the US Securities and Exchange Commission for greenwashing its products. As regulatory enforcement grows, banks risk additional greenwashing investigations for potential misalignment climate commitments and associated ESG strategies.

All profiled banks are misaligned with public commitments made through industry alignments. The eight banks have public goals stating alignment with net-zero by 2050 and all eight banks are members of the Net Zero Banking Alliance (NZBA). In becoming members, each bank publicly committed to transition emissions from their lending and investment portfolios in line with Paris Agreement goals. Through involvement in NZBA, all eight banks are also members of the Race to Zero. By June 2023 all financial institutions members are expected to have plans to phase out the "development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." The Expert Peer Group interpretation guide clarifies alignment with 1.5˚C pathways. However, all profiled banks lack adequate interim targets and sectoral policies to align individual commitments with their existing public commitments.

Part 2

Company Profiles

Bank of America

Bank of America's current energy financing activities are misaligned with a credible pathway to its own 2030 targets and the Paris Agreement. As the #4 global financier of fossil fuels with estimated 5% of its financing activities going towards high-emissions energy activities, Bank of America is unduly exposed to climate risk. Investors are encouraged to vote on the highlighted opportunities to encourage Bank of America to lower its exposure to climate risk by adopting a transition plan, adopting absolute targets, and committing to a phaseout of fossil fuel development and exploration. They are encouraged to vote against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$232 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$22.9 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#4**
Fossil fuel financing as a percent of total financing (2016-2021)	**5%**
Public transition plan?	**NO**
Absolute emissions targets?	**NO**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

Bank of America is called on to issue a detailed transition plan to provide investors with adequate information on how the bank plans to align its financing activities with its 2030 climate targets. BoA has not disclosed the strategies, metrics, or timelines it has planned to credibly achieve existing emissions reduction targets. Such disclosures will help assure investors that the bank has an effective and accountable transition plan to achieve its climate goals.

Absolute emissions targets

Bank of America lacks absolute emissions targets for its energy sector clients. The resolution at Bank of America calls for setting absolute emission reduction targets for the banks' energy sector clients.

Need for absolute emissions targets: Absolute emissions reduction targets are necessary to achieve a reduction in both financed emissions and real-world emissions. Meeting emissions intensity targets may show a decrease in reported financed emissions, but may lead to an overall increase in real-world emissions. As a consequence, intensity targets for this sector are fundamentally misaligned with a 1.5°C-aligned pathway.

Misaligned commitments: Bank of America only has emission intensity targets for energy sector clients, meaning its existing targets are not aligned with the goals of the Paris Agreement. Bank of America's existing policies are misaligned with its NZBA commitment and its own net-zero commitments.

Peer precedent: Citibank, Wells Fargo, Bank of Montreal, Danske Bank and HSBC have committed to absolute emission reduction targets in their oil and gas financing activities. Citibank has also adopted absolute emission reduction targets for thermal coal.

Financing of fossil fuel development and exploration

Bank of America lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways. BoA only has intensity targets for energy sector clients for 2030, making its interim targets fundamentally misaligned with reductions required to limit warming to 1.5˚C.

Continued financing of fossil fuel expanders: Bank of America has continued to finance companies that are driving systemic climate risk. Bank of America financed $44.8 billion to its top five upstream fossil clients (Exxon, Occidental, Marathon, BP, Petroleo Brasileiro) in the six years following the Paris Agreement. Those five companies alone are currently developing 8.9 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5˚C.

Lacking commitments: As a member of NZBA, Bank of America has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which BoA is also a member, makes clear that financial institutions must "phase out...development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, BoA lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Bank of America is not able to credibly claim alignment with the Paris Agreement, net-zero or climate-based pledges, or net-zero goals.

Inadequate board oversight of climate risk

Bank of America has unacceptably high exposure to climate risk. BoA continues to be one of the top global financiers of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite years of engagement from investors and stakeholders, publicly committing to both net-zero alignment and to financing climate solutions, and growing regulatory pressure.

The need for three separate resolutions calling on BoA to strengthen and disclose its climate policies demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of BoA's Corporate Governance, ESG, and Sustainability Committee for failure to align the bank's strategies with 1.5˚C pathways: Sharon Allen, Frank Bramble, Denise Ramose, Thomas Woods, and Maria Zuber.

Additional Bank-Specific Risks

Reputational Risk:
Bank of America has been the target of years of campaigning by environmental groups. Its continued financing of fossil fuel companies has drawn negative media coverage from outlets including *The Washington Post, New York Times, Market Watch,* and *Bloomberg*. In addition, growing civil society targeting (including protests, letter writing, and petition campaigns) has been linked in the public eye to controversial fossil fuel expansion projects like the Line 3 Pipeline and the LNG buildout.

Bank of America suffered great reputational damage during the financial crisis of 2008 and has tried to rebuild its reputation in the public eye by emphasizing its commitments to environmental and social policies. These efforts are undermined by the bank's underwhelming performance on climate risk management.

Citibank

As the second largest global funder of fossil fuels, Citi's climate risk exposure is irresponsibly high. Investors can encourage banks to lower their exposure to climate risk by publishing a transition plan and committing to a phaseout of fossil fuel development and exploration. Investors are encouraged to vote against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$285 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$30.5 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#2**
Fossil fuel financing as a percent of total financing (2016-2021)	**7%**
Public transition plan?	**NO**
Absolute emissions targets?	**YES**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

No resolution filed at Citibank on this issue this year.

Absolute emissions targets

Citibank has already adopted absolute emissions targets for its energy sector clients. No further action is needed.

Financing of fossil fuel development and exploration

Citibank lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: Citibank financed $47.3 billion to its top five upstream fossil clients (Exxon Mobil Occidental Petroleum, Saudi Arabian Oil, Marathon Petroleum, and Petroleo Brasileiro) in the six years following the Paris Agreement. Those five companies alone are currently developing 19.3 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5˚C.. Citi is the biggest funder of fossil fuel expansion in Africa and biggest funder of state-run fossil fuel projects in the Amazon.

Lacking commitments: As a member of NZBA, Citi has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Citi is also a member, makes clear that financial institutions must "phase out…development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Citi lacks sectoral policies to align its financing activities accordingly with the goals of the Paris Agreement. It is continuing to finance the expansion of new fossil fuel reserves and has indicated no plan to phase out these activities. In March 2023, Citi announced targets to cut coal financing by 2030, but notably excluded underwriting of stocks and bonds and remained silent on whether it would phase out its financing activities to fossil fuel expanders.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Citi is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Citibank has unacceptably high exposure to climate risk. Citi continues to be the second largest global financier of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite publicly committing to both net-zero alignment and to financing climate solutions, years of engagement from investors and stakeholders, and growing regulatory pressure.

Investors have felt it necessary to file two resolutions calling on Citi to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of Citi's Risk Management Committee for failure to align the bank's strategies with 1.5°C pathways: Ellen Costello, Grace Dailey, Barbara Desoer, John Dugan, Duncan Hennes, Casper von Koskull, and James Turley.

Additional Bank-Specific Risks

Reputational Risk:
Public discontent with Citi has been growing as stakeholders have accelerated efforts to point out shortcomings in Citi's climate strategies. Activists around the country have attended protests outside of bank offices for at least seven years, elevating a narrative that Citi is responsible for funding the climate crisis. Growing civil society targeting has irrevocably linked the bank to controversial fossil fuel expansion projects such as the Line 3 Pipeline, Dakota Access Pipeline, and the LNG buildout in the public eye. Citi is a key target of over 200 activist groups, with over ten million global members. Citi has been profiled in several reports for its continued provision of financial services to fossil fuel companies. Such efforts have led to negative media coverage of Citi's climate policies and financing activities in a range of news outlets, including *Market Watch*, *The Washington Post*, *Fortune*, and *The New York Times*, among others.

In its 2023 10-K, Citi acknowledges that climate change "presents both immediate and long-term risks to Citi and its customers and clients, with the risks expected to increase over time," highlighting the impacts of both physical and transition risk. Citi additionally flags that an insufficient or ineffective climate management strategy may negatively impact Citi's business, reputation, ability to attract investors, or efforts to recruit and retain employees.

Goldman Sachs

Goldman Sachs's current climate position exposes it to reputational, regulatory, legal, and market risks associated with failing to deliver credible transition planning and activities. Investors can encourage Goldman to lower its exposure to climate risk by publishing a transition plan, adopting absolute emissions targets for energy and utility sector clients, and committing to a phaseout of fossil fuel development and exploration. Investors are encouraged to vote against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$119 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#14**
Fossil fuel financing as a percent of total financing (2016-2021)	**4%**
Public transition plan?	**NO**
Absolute emissions targets?	**NO**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

Goldman Sachs has not disclosed a concrete and actionable transition plan to meet its 2030 targets. The bank has set sectoral emissions targets, but has issued only generalized statements about how it is developing new tools and capabilities to help clients transition. Investors lack a comprehensive plan from Goldman Sachs with measurable metrics, timelines, and indicators of success. Such disclosures will help assure investors that the bank has an effective and accountable transition plan to achieve its climate goals.

Absolute emissions targets

Goldman lacks absolute emissions reduction targets for its energy and utility sector clients. The resolution at Goldman calls for setting absolute emission reduction targets for two high emitting sectors: oil and gas and power generation. Goldman only has 2030 intensity targets for energy sector clients, making its interim targets fundamentally misaligned with reductions required to limit warming to 1.5°C.

Need for absolute emissions targets: Absolute emissions reduction targets are necessary to achieve a reduction in both financed emissions and real-world emissions. Meeting emissions intensity targets may show a decrease in reported financed emissions, but may lead to an overall increase in real-world emissions. As a consequence, intensity targets for this sector are fundamentally misaligned with a 1.5°C aligned pathway.

Misaligned commitments: Goldman only has emission intensity targets for energy sector and power generation clients, meaning its existing targets are not aligned with the goals of the Paris Agreement. Goldmans's existing policies are misaligned with its NZBA commitment and its own net-zero commitments.

Peer precedent: Citibank, Wells Fargo, Bank of Montreal, Danske Bank and HSBC have committed to absolute emission reduction targets in their oil and gas financing. Citibank has also adopted absolute emission reduction targets for thermal coal.

Financing of fossil fuel development and exploration

Goldman lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: Goldman Sachs financed $17.8 billion to its top five upstream fossil clients (BP, Shell, Saudi Arabian Oil Co, Hess Corp, and Diamondback Energy Inc) in the six years following the Paris Agreement. Those five companies alone are currently developing 16 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5˚C.

Lacking commitments: As a member of NZBA, Goldman has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Goldman is also a member, makes clear that financial institutions must "phase out...development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Goldman lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement. It is continuing to finance the expansion of new fossil fuel reserves and has indicated no plan to phase out these activities.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Goldman is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Goldman has unacceptably high exposure to climate risk, continues to be one of the largest global financiers of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite years of engagement from investors and stakeholders, publicly committing to both net-zero alignment and to financing climate solutions, and growing regulatory pressure.

Investors have felt it necessary to file three resolutions calling on Goldman to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of Goldman's Risk Committee for failure to align the bank's strategies with 1.5˚C pathways: David Viniar, Michele Burns, Mark Flaherty, Kevin Johnson, Peter Oppenheimer, Jan Tighe, Jessica Uhl, and Mark Winkelman.

Additional Bank-Specific Risks

Regulatory Enforcement:
Goldman has been subjected to regulatory enforcement for greenwashing its products. In November 2022, Goldman Sachs paid $4 million to the U.S. Securities and Exchange Commission to settle a charge after the agency found the bank had misled investors about the services its sustainable funds provided. The bank risks additional greenwashing investigations for potential misaligned with its own climate commitments.

Reputational risk:
Goldman Sachs is increasingly becoming a public target of civil society efforts to address the climate crisis. Over 240 organizations endorsed the resolutions filed at Goldman this year, and over 200 activists groups are mobilizing millions of global activists to target Goldman for its role in financing fossil fuel companies.

JPMorgan Chase

As of the time of writing, Chase is the #1 financier of fossil fuels globally since the Paris Agreement. With an estimated 7% of its financing activities going towards high-emissions energy activities, Chase is unduly exposed to climate risk. The bank thus holds some of the largest exposure in the banking industry to fossil fuel financing and its associated risks. Investors can compel Chase to reduce this exposure by supporting resolutions urging Chase to adopt absolute emissions targets, phase out expansion financing, and set an adequate transition plan. In addition, board directors Linda Bammann, James Crown, Alex Gorsky, Mellody Hobson, and Michael Neal have demonstrated incapacity to lead the company on successful decarbonization pathways, warranting votes against them.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$382 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$16.8 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#1**
Fossil fuel financing as a percent of total financing (2016-2021)	**7%**
Public transition plan?	**NO**
Absolute emissions targets?	**YES**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

As of writing, Chase has not released a concrete transition plan. Without this information, Chase's shareholders lack the information they need to assess whether and how the bank will meet its existing 2030 climate targets. Without comprehensive information on measurable metrics, timelines, and indicators of success, investors lack the information needed to understand whether or not the bank's plans will result in emissions reductions in line with a 1.5˚C pathway.

Absolute emissions targets

Chase lacks absolute emissions reduction targets for its energy and utility sector clients. The resolution at Chase calls for setting absolute emission reduction targets for the banks' energy sector and power generation clients. Chase only has 2030 intensity targets for energy sector clients, making its interim targets fundamentally misaligned with reductions required to limit warming to 1.5°C.

Need for absolute emissions targets: Absolute emissions reduction targets are necessary to achieve a reduction in both financed emissions and real-world emissions. Meeting emissions intensity targets may show a decrease in reported financed emissions, but may lead to an overall increase in real-world emissions. As a consequence, intensity targets for this sector are fundamentally misaligned with a 1.5°C aligned pathway.

Misaligned commitments: Chase only has emission intensity targets for energy sector clients, meaning its existing targets are not aligned with the goals of the Paris Agreement. Chase's existing policies are misaligned with its NZBA commitment and its own net-zero commitments.

Demonstrated inefficiency of existing targets: Chase's business activities has demonstrated clearly the inefficiency of intensity targets for the energy sector. Chase's 2022 climate report shows that between May 2021 (when Chase set its intensity targets) and June 2022, Scope 3 (end use) emissions from its oil and gas sector clients increased 1% and Scope 1 and 2 (operational) emissions showed a 0% change from a 2019 baseline.

Peer precedent: Citibank, Wells Fargo, Bank of Montreal, Danske Bank and HSBC have committed to absolute emission reduction targets in their oil and gas financing activities. Citibank has also adopted absolute emission reduction targets for thermal coal.

Financing of fossil fuel development and exploration

Chase lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: **Chase consistently ranks as the #1 financier of fossil fuel expansion year after year**. Since 2016, the company has provided $43.4 billion in financing to its top five upstream oil and gas clients (Exxon Mobil, Occidental Petroleum, Saudi Arabian Oil Co, Marathon Petroleum, Petroleos Mexicanos). Together, these five companies are set to produce an estimated 16.9 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5°C.

Lacking commitments: As a member of NZBA, Chase has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Chase is also a member, makes clear that financial institutions must "phase out…development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Chase lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Chase is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Chase has unacceptably high exposure to climate risk. Chase continues to be the largest global financier of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite publicly committing to both net-zero alignment and to financing climate solutions, and growing regulatory pressure.

Investors have felt it necessary to file three resolutions calling on Chase to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of Chase's Public Responsibility and Risk Committees for failure to align the bank's strategies with 1.5°C pathways: Linda Bammann, James Crown, Alex Gorsky, Mellody Hobson, and Michael Neal.

Bank-Specific Risks

Reputational Risk:
Chase is especially exposed to reputational risk as the world's top private bank fossil fuel financier. A steadily-growing activist movement has put JPMorgan Chase in its crosshairs, drawing attention to Chase's role in controversial projects like the Dakota Access Pipeline. Campaigns targeting JPM's climate policies include hundreds of organizations with tens of millions of global members and supporters, including current and potential JPM customers.

In its 2023 10K JPMorgan acknowledged the growing risk posed by reputational damage. JPMorgan acknowledges that growing criticism and campaigning could "potentially engender dissatisfaction among clients, customers, investors and employees." It predicts resulting harm could include increased government scrutiny, cessation of business relations with JPMorgan Chase by clients, impairment of JPMorgan's ability to attract new clients or customers, and limited ability to hire and retain employees, among others.

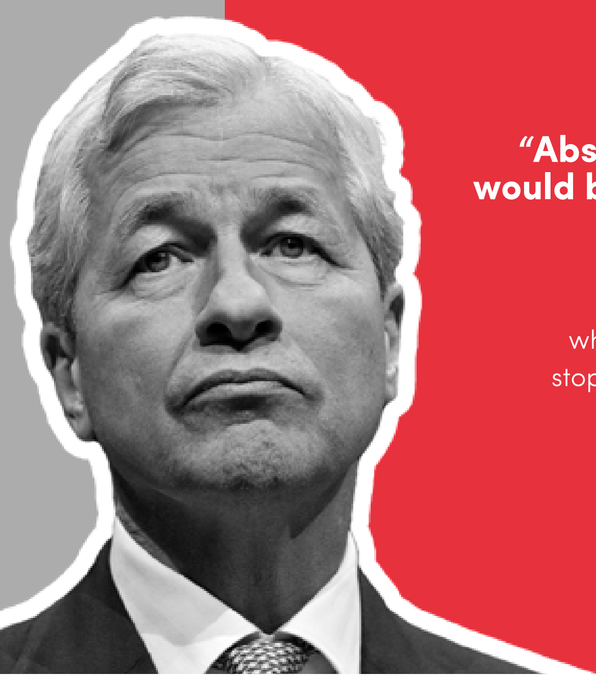
Greenwashing risk:
Despite the company's public climate commitments, JPMorgan's CEO has repeatedly insisted in pursuing financing activities that directly undermine 1.5°C alignment, namely by supporting continued fossil fuel expansion. He has been a vocal advocate for continuing to expand fossil fuel production, saying the US should be "pumping more oil and gas" and needs to invest more in the fossil fuel industry, and that ceasing to do so would be the "road to hell" and isn't "against climate change." Such comments have been covered in high-profile news outlets, including *Forbes, Business Insider, Bloomberg, Fox Business,* and *CNBC*, among others.

"If governments are serious about the climate crisis, there can be no new investments in oil, gas and coal, from now – from this year."

Faith Brihol, Executive Director of the IEA, May 2021

"Setting our Paris-aligned targets is an important step toward accelerating the transition to a low-carbon economy and meeting the goals of the Paris Agreement."

Jamie Dimon



"Absolutely not ... that would be the road to hell for America."

Jamie Dimon, when asked if Chase would stop financing new fossil fuel development.

Morgan Stanley

Morgan Stanley's current climate position exposes it to reputational, regulatory, legal, and market risks associated with failing to deliver credible transition planning and activities. Investors can encourage MS to lower its exposure to climate risk by publishing a transition plan, committing to a phaseout of fossil fuel development and exploration, and by voting against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$137 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$11.4 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#12**
Fossil fuel financing as a percent of total financing (2016-2021)	**5%**
Public transition plan?	**NO**
Absolute emissions targets?	**YES**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

Morgan Stanley has not demonstrated a concrete and actionable transition plan to meet its 2030 sectoral reduction targets. The bank has issued generalized statements about its planned climate action, including announcing a four-pronged climate strategy, excluding some coal and Arctic development activities, and committing to support low carbon solutions. However, investors still lack a public plan with measurable metrics, timelines, and indicators of success demonstrating the strategies Morgan Stanley plans to use to meet its sectoral targets. Without such information, investors will not be able to understand if Morgan Stanley is on track to meet its public-facing commitments.

Absolute emissions targets

Morgan Stanley has already adopted absolute emissions targets for its energy sector clients. No further action is needed.

Financing of fossil fuel development and exploration

Morgan Stanley lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: Morgan Stanley financed $28.7 billion to its top five5 upstream fossil clients (Exxon Mobil Corp, Shell, BP, Saudi Arabian Oil Co, Marathon Oil Corp) in the six years following the Paris Agreement. Those five companies alone are currently developing 18.6 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5°C. In addition, Morgan Stanley's current policies allow for financing of highly controversial fossil fuel projects, including oil sands development, ultra deepwater oil and gas, and shale oil and gas exploration. Its existing policies allow for continued investment in coal development as there is a reliance on carbon storage technologies.

Lacking commitments: As a member of NZBA, Morgan Stanley has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Morgan Stanley is also a member, makes clear that financial institutions must "phase out...development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Morgan Stanley lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Morgan Stanley is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Morgan Stanley has unacceptably high exposure to climate risk. Morgan Stanley continues to be the second largest global financier of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite publicly committing to both net-zero alignment and to financing climate solutions, years of engagement from investors and stakeholders, and growing regulatory pressure.

Investors have felt it necessary to file three resolutions calling on Morgan Stanley to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of the Governance and Sustainability Committee for failure to align the bank's strategies with 1.5°C pathways: Rayford Wilkins, Jr, Thomas Glocer, Robert Herz, Erika James, and Mary Schapiro.

Additional Bank-Specific Risks

Litigation Risk:
Morgan Stanley was sued in 2017 for misleading investors in the saliency of a fossil fuel investment.

Risk profile in 2023 10-K:
Morgan Stanley's 2023 10k cited "...our reputation and client relationships may be adversely impacted as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries, projects, or initiatives associated with causing, or potentially slowing solutions to, climate change."

MS's risk profile also noted that the company's business or reputation may suffer "If we are unable to achieve our objectives relating to climate change or our current response to climate change is perceived to be ineffective or insufficient."

Reputational Risk:
Morgan Stanley has attracted negative public attention from its continued efforts to stall on climate risk management. In addition to being a central target of a global effort to denounce banks' role in the climate crisis, an effort which has attracted attention from tens of millions of activists around the world, Morgan Stanely has been profiled in several reports for its continued provision of financial services to fossil fuel companies. MS drew scrutiny in 2022 for its hollow threat to leave the Net Zero Banking Alliance, citing concerns about the decarbonisation guidance that would push the bank to align its financing activities with science-based 1.5°C pathways. Morgan Staneley's climate record has garnered negative media attention from outlets including *The Financial Times, ESG Investor, Capital Monitor,* and *Market Watch*, among others.

Royal Bank of Canada (RBC)

Royal Bank of Canada's current energy financing activities are misaligned with a credible pathway to its own 2030 targets and the Paris Agreement. The bank is already under federal investigation for the gap between its purported climate pledges and its actual action. As the #5 global financier of fossil fuels and an estimated 11% of its financing activities going towards high-emissions energy activities, RBC is unduly exposed to climate risk. Indigenous leaders have called on the bank to operationalize its support for Free, Prior, and Informed Consent (FPIC), an issue that frequently creates risk for those engaging in fossil fuel development. **Investors can help reduce climate risk by supporting three resolutions urging RBC to adopt absolute emissions targets, phase out financing of fossil fuel expansion and development, and operationalize FPIC.**

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$201.23 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$13 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#5**
Fossil fuel financing as a percent of total financing (2016-2021)	**11%**
Public transition plan?	**NO**
Absolute emissions targets?	**NO**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**N/A**

Transition plan status

No resolution on transition plans has been filed with RBC this year. However, investors should be aware that RBC does not disclose adequate information either to help investors understand the strategies RBC plans to undertake to meet its climate commitments or to understand whether RBC is on track to meet its goal. RBC received a "D" grade on its existing public-facing information from Investors for Paris Compliance (I4PC).

Absolute emissions targets

RBC lacks absolute emissions reduction targets for its energy and utility sector clients. The resolution at RBC calls for setting absolute emission reduction targets for the bank's energy sector and power generation clients. RBC only has 2030 intensity targets for energy sector clients, making its interim targets fundamentally misaligned with reductions required to limit warming to 1.5°C.

Need for absolute emissions targets: Absolute emissions reduction targets are necessary to achieve a reduction in both financed emissions and real-world emissions. Meeting emissions intensity targets may show a decrease in reported financed emissions, but may lead to an overall increase in real-world emissions. As a consequence, intensity targets for this sector are fundamentally misaligned with a 1.5°C aligned pathway.

Misaligned commitments: RBC only has emission intensity targets for energy sector clients, meaning its existing targets are not aligned with the goals of the Paris Agreement. Additionally, RBC's existing Scope 3 target is the weakest among peers highlighted in this briefing.

Peer precedent: Citibank, Wells Fargo, Bank of Montreal, Danske Bank and HSBC have committed to absolute emission reduction targets in their oil and gas financing activities. Citibank has also adopted absolute emission reduction targets for thermal coal.

Financing of fossil fuel development and exploration

RBC lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: RBC's current policies allows business-as-usual financing for companies exploring for and developing new fossil reserves that are incompatible with a 1.5°C pathway. RBC financed $35.8 billion to its top three fossil clients (Cenovus Energy, ARC Resources, and Canadian Natural Resources) in the six years following the Paris Agreement. Those three companies alone are currently developing 2.5 billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5°C. RBC is financing many other fossil fuel expansionist companies including Marathon Oil, Shell, and Canadian Natural Resources Ltd.

Lacking commitments: As a member of NZBA, RBC has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which RBC is also a member, makes clear that financial institutions must "phase out...development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, RBC lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, RBC is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

There are no "Vote No" efforts being filed with RBC at this time.

Additional Bank-Specific Risks

Litigation and Regulatory Risk:
RBC is under investigation by Canada's Competition Bureau, a federal law enforcement agency, for "alleged deceptive marketing practices" relating to the bank's stated net zero commitments. The complaint alleges that **RBC's public commitment to net zero is not credibly aligned with the bank's actual financing activities.** Matt Hulse, one lawyer behind the complaint that launched the investigation said, "Without a credible plan, RBC is just making an unverified promise to clients that it will act eventually."

Reputational Risk:
RBC has been the target of years of campaigning by advocacy groups on the grounds of its links to human rights violations and environmental damage. Most recently, the bank has been the target of a campaign, "RBC is Killing Me," which critiques RBC for its continued financing of fossil fuel projects.

RBC is financing clients associated with high-profile environmental controversies, including the Coastal Gaslink pipeline, which is opposed by Indigenous groups in British Columbia. After international criticism of RBC for backing the project, nation-wide protests around the construction, and Indigenous chiefs speaking to shareholders and RBC's board about the project, CEO David McKay publicly defended the controversial project at last year's AGM.

* private data analysis

TD Bank

Toronto-Dominion's current energy financing activities are misaligned with a credible pathway to its own 2030 targets and the Paris Agreement. As the #11 global financier of fossil fuels and an estimated 10% of its financing activities going towards high-emissions energy activities, TD is unduly exposed to climate risk. Investors are encouraged to vote on the highlighted opportunities to encourage TD to release a transition plan in order to prove it can indeed meet these targets and shield itself and its investors from climate risk.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$141 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$7.5 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#11**
Fossil fuel financing as a percent of total financing (2016-2021)	**10%**
Public transition plan?	**NO**
Absolute emissions targets?	**NO**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**N/A**

Transition plan status

Investors are seeking more information on how TD Bank intends to meet its 2050 net-zero target. Interim emissions reduction targets do not guarantee progress toward the bank's absolute emissions reduction target for 2050. The bank still lacks public disclosure of an actionable transition plan, complete with measurable metrics, timelines, and indicators of success, without which investors will not have adequate information to understand if TD Bank is on track to meet its climate commitments. TD's public disclosure to-date received a grade of "C-" from Investors for Paris Compliance.

Absolute emissions target

No resolution filed at TD Bank on this issue this year.

Financing of fossil fuel development and exploration

No resolution on this issue is filed at TD Bank this year.

Inadequate board oversight of climate risk

There are no "Vote No" efforts being filed with TD Bank at this time.

Wells Fargo

Wells Fargo faces reputational, greenwashing, regulatory, and other material financial risks due to its position as the world's third largest banker of fossil fuels. Investors are encouraged to vote on the highlighted opportunities to encourage banks to lower their exposure to climate risk by adopting a transition plan and committing to a phaseout of fossil fuel development and exploration. Investors are encouraged to vote against directors responsible for climate risk oversight.

Financing activities misaligned with climate goals

Total financing to fossil fuel companies (2016-2021)	**$272 billion**
Financing to companies expanding fossil fuel assets since joining NZBA (April 2021- August 2022)	**$5.9 billion**
Global Fossil Fuel Financing Rank (2016-2021)	**#3**
Fossil fuel financing as a percent of total financing (2016-2021)	**10%**
Public transition plan?	**NO**
Absolute emissions targets?	**YES**
Paris-Aligned financing?	**NO**
Adequate board oversight?	**NO**

Transition plan status

Wells Fargo has not demonstrated a concrete and actionable transition plan to meet its 2030 targets. The bank has disclosed an approach to measuring its financed emissions and taken first steps towards better integrating climate risk into its financing and helping clients transition. However, investors still lack a public plan with measurable metrics, timelines, and indicators of success demonstrating the strategies Wells plans to use to meet its interim targets. Without such information, investors will not be able to understand if Wells is on track to meet its public-facing commitments.

Absolute emissions target

Wells Fargo has already adopted absolute emissions targets for its energy sector clients. No further action is needed.

Financing of fossil fuel development and exploration

Wells Fargo lacks sectoral policies necessary to align its financing activities with the goals of the Paris Agreement, misaligning the bank with both its public commitments and science-based transition pathways.

Continued financing of fossil fuel expanders: Wells Fargo is continuing to finance the expansion of new fossil fuel reserves and has indicated no plan to phase out these activities. Wells Fargo financed $52.7 billion to its top five upstream fossil clients (Pioneer Natural Resources, Diamondback Energy, Marathon Petroleum, Occidental Petroleum, and Civitas Resources) in the six years following the Paris Agreement. Those five companies alone are currently developing four billion barrels of oil equivalent in hydrocarbon resources beyond what is compatible with IEA's net zero pathway to limit warming to 1.5°C.

Lacking commitments: As a member of NZBA, Wells Fargo has committed to transition emissions from their lending and investment portfolios. Criteria from the Race to Zero, of which Wells Fargo is also a member, makes clear that financial institutions must "phase out...development, financing and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios." However, Wells Fargo lacks any sectoral policy to align its financing activities accordingly with the goals of the Paris Agreement.

Without sectoral policies to phase-out financing of projects and companies expanding fossil fuel assets, Wells Fargo is not able to credibly claim alignment with the Paris Agreement, industry group pledges, or net-zero goals.

Inadequate board oversight of climate risk

Wells Fargo has unacceptably high exposure to climate risk. It continues to be a top five global financier of fossil fuel expansionists, does not contribute its fair share toward financing climate solutions, and does not disclose adequate information on climate risk or associated business strategies to investors. This position comes despite publicly committing to both net-zero alignment and to financing climate solutions, years of engagement from investors and stakeholders, and growing regulatory pressure.

Investors have felt it necessary to file two resolutions calling on Wells to strengthen and disclose its climate policies. The need for such resolutions demonstrates a lack of confidence by investors in the board's ability to adequately manage climate risk and disclose such strategies to investors.

For failure to provide adequate oversight and transparency, votes are warranted against the following members of Wells' Risk and Corporate Responsibility Committees: Celeste Clark, Maria Morris Wayne Hweett, Cecelia Morken, Suzanne Vautrinot, Richard Davis, Felicia Norwood, Richard Payne Jr, and Juan Pujadas.

Bank-Specific Risks

Reputational risk:
Wells Fargo is garnering negative attention for its continued misaligned climate strategies. Like peers, it is a key target for millions of global activists calling on banks to reduce financing for companies expanding fossil fuel assets, and its financing profiling has been highlighted in several reports. Wells drew scrutiny in 2022 for its threat to leave the Net Zero Banking Alliance, citing concerns about the decarbonisation guidance that would push the bank to align its financing activities with science-based 1.5°C pathways. Wells Fargo has failed to note the materiality of this risk, unlike peers JPMorgan, Citibank, and Goldman.

Earlier this year, BloombergNEF denounced Wells Fargo falling short of clean energy financing. Wells Fargo's climate performance has received negative attention from outlets including *The Washington Post, Bloomberg, the Financial Post, CBS News,* and the *LA Times*, among others.

Investors can help ensure Wells Fargo is accountable to its own climate commitments by supporting resolutions to phase out expansion financing and release a credible transition plan.

Climate Votes